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July 7, 2005

RECEIVED

JUL 11 2005

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

Re: Puerto Rico Telephone Company's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs

Dear Ms. Dortch:

In compliance with the Orders of the Chief, Common Carrier Bureau released in accordance with the Commission's requirement in Docket 86-111, the Puerto Rico Telephone Company hereby files revisions to its Cost Allocation Manual (CAM).

The revision of the CAM primarily reflects changes that affect Section V, VI and VII as follows:

Section V

To reflect changes in transactions with affiliates.

Section VI

To clarify / correct apportionment bases and cost pools; to eliminate unnecessary cost pools.

Section VII

To increase accuracy and clarity in time reporting.

We request these changes to be retroactive to January 1, 2005.

Please let me know if you have any questions.

Cordially,

Attachments

cc: Ann D. Berkowitz
Tamara Preiss
Qualex International

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List ABCDE

P. O. Box 360998, San Juan Puerto Rico 00936-0998

PUERTO RICO TELEPHONE COMPANY
Transmittal Letter Matrix CAM Modifications
July 1, 2005

CAM Ref.	Change From	Change To	Reason	Quantification
Section V, Page 3 GTE Telecommunications International, Inc.			To eliminate affiliate not conducting transactions with PRTC.	No estimated impact on regulated operations.
Section V, Page 4	Renting building space to Verizon Information Services.		To reflect the space renting activity.	This change has an estimated annual impact on nonregulated operations of \$29,736.
Section V, Page 4	Wireless Roaming Service provided to Celloco Partnership, billed by PRTC at Prevailing Price.	Wireless Roaming Service provided to Celloco Partnership, billed by PRTC at FDC.	PRTC provides this service at the higher of FDC and FMV.	No estimated impact on regulated operations.
Section V, Page 5		Telephone Materials and Equipment billed at Prevailing Price	To reflect the billing of Telephone Materials and Equipment at Prevailing Price.	No estimated impact on regulated operations.
Section V, Page 5	Management, Legal and Regulatory advice services billed by PRTC at Lower of FMV and FDC	Consulting and Management services billed by PRTC at Lower of FMV and FDC	To more accurately describe the service.	No estimated impact on regulated operations.
Section VI, Page 28, Account 6121	N/A		To increase accuracy and clarity.	No estimated impact on regulated operations.
Section VI, Page 38, Account 6613	Cost Pools: 1. Sales Promotion Administration 2. Regulated Product Service Advertising 3. Nonregulated Product Service Advertising 4. Common Advertising Cost Pool Appportionment: 1. Direct identification through PRTC account 6613 2. Based on an analysis of the subject matter and associated costs of advertising campaign. 3. Indirect attribution based on appportionment of account 6611. 4. Directly assigned to regulated 5. Directly assigned to nonregulated 6. Marketing General Allocator, excluding wireless operations expenses.	Cost Pools: 1. Regulated 2. Nonregulated 3. Common Cost Pool Appportionment: 1. Direct identification through PRTC account detail. 2. Directly assigned to regulated 3. Directly assigned to nonregulated 4. Marketing General Allocator, excluding wireless operations expenses.	To eliminate unnecessary cost pools.	This change has an estimated annual impact on nonregulated operations of (\$7,091).
Section VI, Page 42, Account 7100	Regulated/Nonregulated Appportionment Basis: Indirect attribution based on regulated/nonregulated appportionment of Account 2111.	Regulated/Nonregulated Appportionment Basis: Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86.	To follow CC Docket 86-497.	This change has an estimated annual impact on nonregulated operations of (\$32,058).
Section VI, Page 43, Account 7250	Regulated/Nonregulated Appportionment Basis: General Allocator	Regulated/Nonregulated Appportionment Basis: Indirect attribution based on the appportionment of regulated/nonregulated prior quarter net operating income.	To increase accuracy and clarity.	This change has an estimated annual impact on nonregulated operations of (\$729,671).
Section VII, Page 2	Time is reported in increments of one-quarter hour...	Time is reported in increments of no more than one hour...	To increase accuracy and clarity.	

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL
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Cost and FDC for "Fully Distributed Costing." Most services are provided on an on-going, usually monthly basis.

II. PRTC List of Affiliates

1. Verizon Information Services Puerto Rico, Inc. S. en C.
2. GTE Communication Systems Corporation
3. Verizon Corporate Services Group, Inc.
4. Verizon Network Services
5. Verizon Network Integration, Corp.
6. PRT Larga Distancia, Inc.
7. Verizon Data Services, Inc.
8. Verizon International Teleservices C. por A.
9. Coqui.Net Corp.
10. Codetel C. por A.
11. Cellco Partnership
12. Telus Mobility, Inc.
13. Telecomunicaciones Movilnet, C.A.
14. Codetel International Communications, Inc.
15. Verizon Dominicana C. por A.

Exhibit 4

Affiliate Transactions from PRT to Affiliate							
Asset / Service Provided	Verizon Information Services Puerto Rico, Inc. S. en C.	Coqui.net Corporation	PRT Larga Distancia, Inc.	CODETEL International Communications, Inc.	VERIZON DOMINICANA C. por A.	Cellco Partnership	Telecomunicaciones Movilnet, C.A.
Tariffed Rate							
Telecommunications Services	M	M	M	M			
Publicly Filed Agreement							
Prevailing Price							
Billing and Collection Services	M	M	M				
Telecommunications Carrier Services			M				
Wireless Roaming Service					M		M
Operator Services			M				
Assets - Higher of Fair Market Value and Net Book Cost							
Services - Higher of Fair Market Value and Fully Distributed Cost							
Directory Listings (FDC)	M						
Marketing and IT support (FDC)			M				
General Services (FDC)		M	M				
Building Space Rent (FMV)	M		M				
Network Surveillance Services (FDC)		M					
LD Switch Maintenance Services (FDC)			M				
Wireless Roaming Service (FDC)						M	
Legend							
D = Daily							
W = Weekly							
M = Monthly							
Q = Quarterly							
A = Annually							
O = Occasionally							

Affiliate Transactions from Affiliate to PRT

Asset / Service Provided	Tariffed Rate	Telecommunication Services	Local Number Portability Svcs.	Publicly Filed Agreement	Prevailing Price	Telemarketing	Advertising	Equipment Repair	Operator Services	Network Management Systems	Wireless Roaming Service	Official Company Long Distance	Telephone Materials and Equipment	Services - Lower of Fair Market Value and Fully Distributed Cost	Telephone Materials and Equipment	DSL Help Desk Services (FDC)	Fully Distributed Cost	Network Management Systems	Audit Services	Wireless Technical Assistance Svcs.	Information & Network Security Svcs.	Consulting & Management Svcs.	Legend
Verizon Information Services Puerto Rico, Inc. S. en C.																							
GTE Communication Systems Corporation																							
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Telecomunicaciones Movilnet, C.A.																							

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6121	Land and Building Expense	1. Regulated	1-2 Directly identified from PRTC's subaccounts detail.	1. Directly assigned to regulated.	
		2. Nonregulated		2. Directly assigned to nonregulated.	
		3. Common	3. Based on results of PRTC's House Service Distribution Analysis (see account 2121 comment) applied to PRTC's subaccounts detail.	3.	
		a) Operating Rents		a) Direct attribution based on relative regulated / nonregulated apportionment of the rented asset's use.	
6122	Furniture and Artwork Expense	b) Other Common Expense	N/A	b) Indirect attribution based on relative regulated / nonregulated apportionment of the sum of the common cost pools of accounts 2111 and 2121.	
		Same as account		Indirect attribution based on relative regulated / nonregulated investment in account 2122.	
6123	Office Equipment Expense	Same as account	N/A	Indirect attribution based on relative regulated / nonregulated investment in account 2123.	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6613	Product advertising	1. Regulated 2. Nonregulated 3. Common	1. Direct identification through PRTC account detail.	1. Directly assigned to regulated. 2. Directly assigned to nonregulated. 3. Marketing General Allocator, excluding wireless operations expenses.	1. Cost pool 1 is not currently in use.
6621	Call Completion Services	Same as Account	N/A	Directly assigned to regulated.	
6622	Number Services	Same as account	N/A	Directly assigned to regulated.	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7100	Other operating income and expense	<ol style="list-style-type: none"> 1. Gains and Losses from Disposition of Land and Artwork 2. Other Operation Gains and Losses <ol style="list-style-type: none"> (a) Regulated (b) Nonregulated (c) Common 	Based on PRTC account/subaccount detail	<ol style="list-style-type: none"> 1. Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86. 2. <ol style="list-style-type: none"> (a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) General Allocator 	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7210	Operating Investment Tax Credits - Net	Not applicable (zero balance)			
7220	Operating Federal Income Taxes	Not applicable (zero balance)			
7230	Operating State and Local Income Taxes	Same as account	N/A	Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income.	
7240	Operating Other Taxes	1. Property 2. Gross Receipts 3. Nonregulated 4. Other	Direct identification through PRTC subaccounts	1. Indirect attribution based on the apportionment of investment in total property plant and equipment (accounts 2001 and 2003). 2. Indirect attribution based on the relative regulated / nonregulated apportionment of gross operating revenue. 3. Directly assigned to nonregulated 4. General allocator.	
7250	Provision for Deferred Operating Income Taxes-Net	1. Property 2. Non-Property	Direct identification through PRTC subaccounts.	1. Indirect attribution based on the regulated/nonregulated apportionment of total plant in service. 2. Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income.	Cost pool 1 is not currently in use.

- Installers and Repairers - Employees primarily engaged in installing, removing, rearranging, or maintaining customer equipment, PBX switching equipment, auxiliary station equipment, inside wiring, cabling, or outside wire, as well as incidental outside plant maintenance work. (Personnel of the Telephone Shop are not included in this Direct Labor Group; Test Board clerical forces are included.)
- Assignment and Repairs Clerks - Employees primarily engaged in assigning telephone numbers, line equipment, cable and open wire facilities as required by service orders; cable and terminal box transfers; cutovers and other plant rearrangements; service order processing and dispatching; and receiving and maintaining trouble reports.
- Line-Cable Maintenance Workers - Employees primarily engaged in placing, removing or rearranging (but not splicing or terminating) outside plant facilities.
- Splicers - Employees primarily engaged in splicing aerial, underground, buried or submarine cable due to construction, removal, maintenance or rearrangements. They are also involved in the investigation of electrolysis troubles.
- Plant Technicians - Employees primarily engaged in the technical functions relating to installation and repair of data transmission equipment, radios and electronic circuits.
- Inspectors - Employees primarily engaged in the inspection of installation work completed by outside contractors and of repair work completed by company employees.
- Land & Building Workers - Employees primarily engaged in repairing, painting or maintaining buildings.

Each Direct Labor Group employee is required to fill in a Daily Time Report, which is submitted to his or her supervisor. Time is reported in increments of **no more than one hour**, and the employee is responsible for reporting 40 hours per week and any overtime. The employee reports his time to field codes, which are classified as either regulated or nonregulated and are associated with appropriate accounts.

Employees are responsible for recording travel time to the appropriate field code or field codes. Also, the hours spent on job-related education are charged to the field code(s) to which the employee routinely charges his or her time.

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Section VI, Page 43, Account 7250	<p>Regulated/Nonregulated Apportionment Basis:</p> <p>General Allocator</p>	<p>Regulated/Nonregulated Apportionment Basis:</p> <p>Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income.</p>	To increase accuracy and clarity.	This change has an estimated annual impact on nonregulated operations of (\$729,671).
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15. Verizon Dominicana C. por A.

Exhibit 4

Affiliate Transactions from PRT to Affiliate

Asset / Service Provided	Verizon Information Services Puerto Rico, Inc. S. en C.	Coqui.net Corporation	PRT Larga Distancia, Inc.	CODETEL International Communications, Inc.	VERIZON DOMINICANA C. por A.	Cellco Partnership	Telecomunicaciones Movilinet, C.A.
Tariffed Rate							
Telecommunications Services	M	M	M	M			
Publicly Filed Agreement							
Prevailing Price							
Billing and Collection Services	M	M	M				
Telecommunications Carrier Services			M				
Wireless Roaming Service					M		M
Operator Services			M				
Assets - Higher of Fair Market Value and Net Book Cost							
Services - Higher of Fair Market Value and Fully Distributed Cost							
Directory Listings (FDC)	M						
Marketing and IT support (FDC)			M				
General Services (FDC)		M	M				
Building Space Rent (FMV)	M		M				
Network Surveillance Services (FDC)		M					
LD Switch Maintenance Services (FDC)			M				
Wireless Roaming Service (FDC)						M	
Legend							
D = Daily							
W = Weekly							
M = Monthly							
Q = Quarterly							
A = Annually							
O = Occasionally							

Exhibit 5

Affiliate Transactions from Affiliate to PRT

Asset / Service Provided	Tariffed Rate	Telecommunication Services	Local Number Portability Svcs.	Publicly Filed Agreement	Prevailing Price	Telemarketing	Advertising	Equipment Repair	Operator Services	Network Management Systems	Wireless Roaming Service	Official Company Long Distance	Telephone Materials and Equipment	Assets - Lower of Fair Market Value and Net Book Cost	Services - Lower of Fair Market Value and Fully Distributed Cost	Telephone Materials and Equipment	DSL Help Desk Services (FDC)	Fully Distributed Cost	Network Management Systems	Audit Services	Wireless Technical Assistance Svcs.	Information & Network Security Svcs.	Consulting & Management Svcs.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6121	Land and Building Expense	1. Regulated	1-2 Directly identified from PRTC's subaccounts detail.	1. Directly assigned to regulated.	
		2. Nonregulated		2. Directly assigned to nonregulated.	
		3. Common	3. Based on results of PRTC's House Service Distribution Analysis (see account 2121 comment) applied to PRTC's subaccounts detail.	3.	
		a) Operating Rents		a) Direct attribution based on relative regulated / nonregulated apportionment of the rented asset's use.	
		b) Other Common Expense		b) Indirect attribution based on relative regulated / nonregulated apportionment of the sum of the common cost pools of accounts 2111 and 2121.	
6122	Furniture and Artwork Expense	Same as account	N/A	Indirect attribution based on relative regulated / nonregulated investment in account 2122.	
6123	Office Equipment Expense	Same as account	N/A	Indirect attribution based on relative regulated / nonregulated investment in account 2123.	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6613	Product advertising	1. Regulated 2. Nonregulated 3. Common	1. Direct identification through PRTC account detail.	1. Directly assigned to regulated. 2. Directly assigned to nonregulated. 3. Marketing General Allocator, excluding wireless operations expenses.	1. Cost pool 1 is not currently in use.
6621	Call Completion Services	Same as Account	N/A	Directly assigned to regulated.	
6622	Number Services	Same as account	N/A	Directly assigned to regulated.	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7100	Other operating income and expense	1. Gains and Losses from Disposition of Land and Artwork 2. Other Operation Gains and Losses (a) Regulated (b) Nonregulated (c) Common	Based on PRTC account/subaccount detail	1. Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86. 2. (a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) General Allocator	

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7210	Operating Investment Tax Credits - Net	Not applicable (zero balance)			
7220	Operating Federal Income Taxes	Not applicable (zero balance)			
7230	Operating State and Local Income Taxes	Same as account	N/A	Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income.	
7240	Operating Other Taxes	1. Property 2. Gross Receipts 3. Nonregulated 4. Other	Direct identification through PRTC subaccounts	1. Indirect attribution based on the apportionment of investment in total property plant and equipment (accounts 2001 and 2003). 2. Indirect attribution based on the relative regulated / nonregulated apportionment of gross operating revenue. 3. Directly assigned to nonregulated 4. General allocator.	
7250	Provision for Deferred Operating Income Taxes-Net	1. Property 2. Non-Property	Direct identification through PRTC subaccounts.	1. Indirect attribution based on the regulated/nonregulated apportionment of total plant in service. 2. Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income.	Cost pool 1 is not currently in use.

- Installers and Repairers - Employees primarily engaged in installing, removing, rearranging, or maintaining customer equipment, PBX switching equipment, auxiliary station equipment, inside wiring, cabling, or outside wire, as well as incidental outside plant maintenance work. (Personnel of the Telephone Shop are not included in this Direct Labor Group; Test Board clerical forces are included.)
- Assignment and Repairs Clerks - Employees primarily engaged in assigning telephone numbers, line equipment, cable and open wire facilities as required by service orders; cable and terminal box transfers; cutovers and other plant rearrangements; service order processing and dispatching; and receiving and maintaining trouble reports.
- Line-Cable Maintenance Workers - Employees primarily engaged in placing, removing or rearranging (but not splicing or terminating) outside plant facilities.
- Splicers - Employees primarily engaged in splicing aerial, underground, buried or submarine cable due to construction, removal, maintenance or rearrangements. They are also involved in the investigation of electrolysis troubles.
- Plant Technicians - Employees primarily engaged in the technical functions relating to installation and repair of data transmission equipment, radios and electronic circuits.
- Inspectors - Employees primarily engaged in the inspection of installation work completed by outside contractors and of repair work completed by company employees.
- Land & Building Workers - Employees primarily engaged in repairing, painting or maintaining buildings.

Each Direct Labor Group employee is required to fill in a Daily Time Report, which is submitted to his or her supervisor. Time is reported in increments of **no more than one hour**, and the employee is responsible for reporting 40 hours per week and any overtime. The employee reports his time to field codes, which are classified as either regulated or nonregulated and are associated with appropriate accounts.

Employees are responsible for recording travel time to the appropriate field code or field codes. Also, the hours spent on job-related education are charged to the field code(s) to which the employee routinely charges his or her time.